

Fiscal Year 2008 Budget Statement
of
Commissioner Susan Bass Levin
Senate Budget Committee
May 2, 2007

(As Prepared for Delivery)

Good afternoon. Thank you for the opportunity to present the Department of Community Affairs' proposed budget for FY 08.

We continue to respond to Governor Corzine's charge to fulfill our core mission – to make our communities stronger – and to do so efficiently and effectively.

Over 68% of DCA's budget, \$1.153 billion, is dedicated to property tax relief. Another 10%, \$171.2 million, goes to fee supported and dedicated programs and 19%, \$317.6 million, is federal programs. That leaves just 3%, or \$48.4 million, for a variety of programs for women, community based organizations, recreational opportunities for the disabled, local government services, smart growth, the Center for Hispanic Policy and the State Rental Assistance Program.

In 2006, DCA and the Housing and Mortgage Finance Agency (HMFA) provided funding for 7679 affordable housing units - rental and owner occupied for families, senior citizens and for those with special needs. We are on our way to achieving Governor Corzine's goal to create and preserve 100,000 affordable housing units over the next ten years. We have developed several new initiatives and enhanced others. I'll briefly mention some of these.

The RESCUE program is designed to respond to the disruptions in the housing finance market and to keep people in their homes. New Jersey, like the rest of the nation, is beginning to see rising foreclosure rates as a result of increasing mortgage rates for adjustable rate mortgages, poor lending practices and the downturn in the real estate market. New Jersey currently has a delinquency rate of over 11% and that rate is rising, as higher adjustable rates take effect. This is significant as foreclosures have a ripple effect; from the resident, to the neighborhood, to the community and ultimately, to the State overall. We are developing a new program - RESCUE -

designed to provide relief to homeowners who are facing big increases in their monthly mortgage payments as a result of subprime lending. The RESCUE Program will allow homeowners who did not originally finance their loans with the HMFA to refinance their current sub-prime or adjustable rate mortgages, including interest-only loans, into long term fixed-rate mortgages at reasonable interest rates. The RESCUE Program will provide housing counseling and the opportunity for a reduced and stable mortgage payment. The American dream of homeownership only works if you can pay your mortgage and stay in your house.

The CHOICE program - Choices in Home Ownership Incentives for Everyone - is our newest financing program to build for-sale housing in NJ. The CHOICE program provides construction loans and subsidies to develop mixed-income for-sale housing. Often, the cost of construction is greater than the realistic sale price of the house – this is where CHOICE steps in. It bridges that gap – but, with the understanding that we should not deed restrict all new urban housing. The CHOICE program gives us the flexibility to provide financing and subsidies for a variety of housing options: from low-income subsidized, restricted houses to emerging market units, which can be sold without restrictions. This is a great way to attract more middle-income families to the cities. Two hundred and fifty units will be financed through CHOICE in 2007, and we expect that number to grow every year.

HMFA's Preservation Program provides financing to help preserve the stock of affordable housing in New Jersey. The program focuses on bringing creative financing strategies to existing "affordable" buildings with the goal of keeping them affordable and improving their physical conditions for the residents. Some of the improvements that are included in this program include interior and exterior renovations and energy efficiency upgrades. Along with the financial refinancing, the buildings are re-restricted for additional years of affordability, helping to ensure that the existing affordable housing is not lost to the market. To clearly identify all of the units in jeopardy, HMFA is in the process of developing a comprehensive inventory of housing projects at risk of losing their affordability controls. This inventory will be complete in the next twelve months. While we need to support our communities to serve the "market," we also must preserve the affordable units we already have. Keeping and maintaining our existing affordable housing stock is a cost effective way to provide affordable housing. The cost of creating a new unit can in many cases be 5 times the cost of preserving a unit. As a result of

HMFA refinancing, the affordability controls are extended for, on an average, 20 additional years. In 2006, HMFA committed funding to preserve close to 1,700 housing units.

One of the biggest challenges to creating affordable housing is identifying suitable and affordable sites on which to build. The Municipal Land Acquisition Program is a new program implemented by the Department through our Balanced Housing Program. The MLA program provides up to \$6 million to eligible municipalities for acquisition of land and/or property for the construction of affordable housing. The program is a valuable tool for municipalities to meet their affordable housing obligations before suitable land is lost to market rate development. The Department has already awarded funding to Alpine, Evesham and Red Bank. Applications are currently pending from Medford Township and Harrison.

Governor Corzine continues his commitment for the State Rental Assistance Program (SRAP) by investing \$37.5 million in this budget. By the end of State Fiscal Year 2007, DCA had contacted everyone on the existing waiting list used in our federal program - over 12,000 households, to offer a voucher through the State Rental Assistance Program. Approximately 2500 rental assistance vouchers have been issued and approximately 850 approved applicants are in various stages of housing search.

The Department's commitment to "green" permeates many of our initiatives. The 2006 International Energy Conservation Code, the most recent national model code for energy conservation, was adopted on February 20, 2007. With this adoption, New Jersey becomes one of a handful of states to adopt the most current national energy conservation requirements.

Governor Corzine's focus on increasing efficiency has also been applied to the federal Low Income Home Energy Assistance Program (LIHEAP). In the past, LIHEAP's administration was divided between the Department of Human Services and DCA. Now for the first time, LIHEAP is administered solely through DCA. We have assumed control of the entire process including the statewide call center and benefit payments. By administering the program from start to finish, we are able to offer New Jersey residents a higher level of service in a more efficient and centralized way.

We have been working in partnership with the AARP, and these outreach efforts have yielded results. We have reached out via mail and phone to seniors who currently receive Lifeline benefits but who had not previously applied for LIHEAP. The result has been almost 5,000 additional applications and \$500,000 in additional benefits to seniors with more on the way.

In response to the unusually cold weather this time of year, we extended the application deadline to April 30th and are providing emergency benefits to individuals who are at risk of having their utilities turned off following the end of the winter shut-off moratorium. We expect to exceed the 2006 level of benefits and look forward to continuing to provide an increased level of service in 2008.

We also have a Green Homes office providing technical and financial assistance to help projects improve energy efficiency and environmental quality, while remaining affordable. This office promotes and finances the use of innovative green design and building technologies and supports the need for higher quality green standards, efficient design, construction and long-term high performance homes.

One of Governor Corzine's most important priorities has been to provide meaningful property tax relief and long-term property tax reform. DCA is working with Governor Corzine and the Legislature to accomplish these goals. Earlier this month, the Governor signed legislation providing for up to a 20 percent reduction in property taxes and a 4 percent property tax levy cap on all county and local governments.

Governor Corzine has also proposed new aid to municipalities throughout the State this year. The FY08 budget proposes \$32.6 million under the new Municipal Property Tax Assistance Program. As a result, each municipality will see a 2% across the board increase in base formula aid (CMPTRA and Energy Tax Receipts).

DCA continues to encourage municipalities to explore shared services through the SHARE grant program. Recognizing that county government can play an important role in resolving problems that transcend local boundaries but are regional in nature, we expanded the program this year and established the COUNT program. COUNT offers counties up to \$300,000 for three years to

establish an office dedicated to coordinating shared services and consolidation efforts. COUNT grants provide the financial backing needed to turn good ideas into efficient government. Currently eleven counties - Atlantic, Camden, Cape May, Gloucester, Hudson, Hunterdon, Middlesex, Monmouth, Somerset, Sussex and Union - have received these grants and several more applications are pending review (Morris, Bergen, Passaic).

One way to assess DCA is the audit report issued by the Office of the State Auditor. I am pleased that the February 28, 2007 State Auditor's Selected Programs DCA Audit did not contain any negative findings. Moreover, DCA has implemented all the recommendations in the two prior State Audits issued on July 23, 2003 for Housing and Inspections and on December 1, 2004 for Information Technology, as well as the January 10, 2007 State Audit for HMFA. DCA also has an internal audit staff that conducts regular, on-going "preventive auditing." We are tough on our own programs so that we can constantly improve our operations.

Lastly, I'd like to briefly mention the Governor's capital improvement projects. The FY2007 budget appropriated \$6 million in new funding for one-time capital projects to assist some of our most vulnerable residents. The Department issued Requests for Proposals for capital funding for homeless shelters, transitional housing, housing for victims of domestic violence shelters and rape care centers. The applications were reviewed by professional staff in the Division of Women and Division of Housing.

In October 2006, the Department awarded \$4 million to 28 organizations for capital improvement projects for homeless shelters, transitional housing and for victims of domestic violence. By way of example, the Center for Family Services, a domestic violence shelter in Gloucester County, purchased furniture and appliances, installed handicap-accessible improvements and converted an existing garage into a group room for residents. The Communities of Faith for Housing organization used the funds to install a wheelchair lift at an emergency shelter for homeless persons in Hoboken.

In November 2006, DCA awarded \$500,000 in Capital Grants to 17 county rape care programs and two statewide programs. These rape care centers provide a variety of services for victims of rape and sexual assault, including accompanying victims through medical and legal procedures,

providing professional crisis counseling as well as longer-term post-trauma counseling, and raising awareness in order to prevent rape, sexual assault and domestic violence.

This is the first time in the State's history that funds for capital improvements and equipment have been made available to rape care programs.

The remaining \$1.5 million will provide capital funds for women's shelters for victims of domestic violence. This funding will address such critical needs as new beds, physical improvements to shelters, transitional housing and outreach offices and the purchase of equipment to keep the facilities operating. The Division on Women is reviewing 23 applications requesting \$4 million. The decisions will be announced in the next few weeks.

Conclusion

Recognizing that the Department of Community Affairs provides essential services to some of the state's most vulnerable residents and to our municipalities, the Governor has maintained his commitment to our most vital programs despite severe financial shortages in this budget cycle. For residents, without access to decent, affordable and safe housing, the chances of securing a good job, education and a safe living environment decrease substantially. For municipalities, without assistance for smart planning, fire safety, housing inspections and emergency aid, the obligation to provide residents with vital services cannot be met. The Department is committed to do doing its part to make our communities stronger.

I thank you for your continued commitment to the welfare of New Jersey and its residents and I look forward to working with each of you as we move forward. I welcome your questions.